

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Sunfield	County Eaton
Audit Date March 31, 2004	Opinion Date April 23, 2004	Date Accountant Report Submitted to State: May 7, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Karl L. Drake, PC			
Street Address	3775 Kimmel Road	City	Horton
		State	MI
		ZIP	49246
Accountant Signature <i>Karl L. Drake CPA</i>			

**VILLAGE
OF
SUNFIELD**

RECEIVED
DEPT. OF TREASURY

FINANCIAL STATEMENTS
MAY 18 2004

✓ **MARCH 31, 2004**
CREDIT & FINANCE DIV.

VILLAGE OF SUNFIELD

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INDEPENDENT AUDITOR'S REPORT

Village of Sunfield

We have audited the accompanying general purpose financial statements of the Village of Sunfield, Eaton County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Sunfield as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2004, on our consideration of the Village of Sunfield's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and the individual account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Sunfield.

Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Karl L. Drake

Karl L. Drake, P.C.
Certified Public Accountant

April 23, 2004

VILLAGE OF SUNFIELD

COMBINED BALANCE SHEET ALL FUND TYPES AND ACCOUNT GROUPS

MARCH 31, 2004

	Governmental Fund Types		Proprietary Fund Type	Account Groups		Totals
	General	Special Revenue	Enterprise	General Fixed Assets	General Long-Term Debt	(Memo Only)
ASSETS						
Cash	\$ 97,786	\$ 279,130	\$ 308,275	\$ ---	\$ ---	\$ 685,191
Taxes Receivable	11,736	---	---	---	---	11,736
Accounts Receivable	---	---	---	---	---	---
Land	---	---	47,000	---	---	47,000
Buildings and Equipment	---	---	---	144,072	---	144,072
Water Supply System (Net)	---	---	823,489	---	---	823,489
Sewage Disposal System (Net)	---	---	343,910	---	---	343,910
Amount to be Provided	---	---	---	---	---	---
TOTAL ASSETS	\$ 109,522	\$ 279,130	\$ 1,522,674	\$ 144,072	\$ ---	\$ 2,055,398
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts Payable	\$ 1,760	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,760
Bonds Payable	---	---	845,000	---	---	845,000
Loans/Lease Payable	---	---	---	---	---	---
Total Liabilities	1,760	---	845,000	---	---	846,760
Fund Equity						
Investment in General Fixed Assets	---	---	---	144,072	---	144,072
Contributed Capital	---	---	67,298	---	---	67,298
Retained Earnings	---	---	610,376	---	---	610,376
Fund Balance	107,762	279,130	---	---	---	386,892
Total Fund Equity	107,762	279,130	677,674	144,072	---	1,208,638
TOTAL LIABILITIES AND FUND EQUITY	\$ 109,522	\$ 279,130	\$ 1,522,674	\$ 144,072	\$ ---	\$ 2,055,398

See Accompanying Notes to Financial Statements.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES**

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	General Fund	Special Revenue Funds	Total
REVENUES			
Taxes	\$ 117,041	\$ ---	\$ 117,041
Intergovernmental - State	59,636	45,770	105,406
Rentals	535	31,449	31,984
Liquor Commission	603	---	603
Interest	2,061	3,812	5,873
Cable Company	2,351	---	2,351
Other	6,081	11,876	17,957
TOTAL REVENUES	188,308	92,907	281,215
EXPENDITURES			
General Government	101,089	---	101,089
Public Safety	36,935	---	36,935
Public Works	15,065	44,646	59,711
Recreational and Cultural	9,656	---	9,656
Debt Service	---	---	---
Capital Outlay	---	11,832	11,832
TOTAL EXPENDITURES	162,745	56,478	219,223
EXCESS OF REVENUES OVER EXPENDITURES	25,563	36,429	61,992
FUND BALANCE - April 1, 2003	82,199	242,701	324,900
FUND BALANCE - March 31, 2004	\$ 107,762	\$ 279,130	\$ 386,892

See Accompanying Notes to Financial Statements.

VILLAGE OF SUNFIELD

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL AND SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	Budget	Actual	Variance Favorable <Unfavorable>
REVENUES			
Taxes	\$ 111,406	\$ 117,041	\$ 5,635
Intergovernmental - State	62,207	59,636	-2,571
Rentals	500	535	35
Liquor Commission	603	603	---
Interest	2,500	2,061	-439
Cable Company	2,350	2,351	1
Other	4,867	6,081	1,214
TOTAL REVENUES	184,433	188,308	3,875
EXPENDITURES			
General Government	111,619	101,089	10,530
Public Safety	38,169	36,935	1,234
Public Works	22,750	15,065	7,685
Recreational and Cultural	10,100	9,656	444
Debt Service	---	---	---
Capital Outlay	---	---	---
TOTAL EXPENDITURES	182,638	162,745	19,893
EXCESS OF REVENUES OVER EXPENDITURES	1,795	25,563	23,768
FUND BALANCE - April 1, 2003	82,199	82,199	---
FUND BALANCE - March 31, 2004	\$ 83,994	\$ 107,762	\$ 23,768

SPECIAL REVENUE FUNDS			TOTAL - MEMO ONLY		
Budget	Actual	Variance Favorable <Unfavorable>	Budget	Actual	Variance Favorable <Unfavorable>
\$ ---	\$ ---	\$ ---	\$ 111,406	\$ 117,041	\$ 5,635
43,000	45,770	2,770	105,207	105,406	199
32,000	31,449	-551	32,500	31,984	-516
---	---	---	603	603	---
6,500	3,812	-2,688	9,000	5,873	-3,127
---	---	---	2,350	2,351	1
4,742	11,876	7,134	9,609	17,957	8,348
86,242	92,907	6,665	270,675	281,215	10,540
---	---	---	111,619	101,089	10,530
---	---	---	38,169	36,935	1,234
57,530	44,646	12,884	80,280	59,711	20,569
---	---	---	10,100	9,656	444
---	---	---	---	---	---
13,000	11,832	1,168	13,000	11,832	1,168
70,530	56,478	14,052	253,168	219,223	33,945
15,712	36,429	20,717	17,507	61,992	44,485
242,701	242,701	---	324,900	324,900	---
\$ 258,413	\$ 279,130	\$ 20,717	\$ 342,407	\$ 386,892	\$ 44,485

See Accompanying Notes to Financial Statements

VILLAGE OF SUNFIELD

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

REVENUES

Charges for Services	\$ 126,483
Interest	6,177
Miscellaneous	<u>5,934</u>
TOTAL REVENUES	<u>138,594</u>

EXPENDITURES

Wages	22,453
Office Supplies	704
Postage	243
Operating Supplies	5,220
Equipment Rentals	15,255
Telephone	567
Utilities	5,089
Repair and Maintenance	22,113
Other	1,009
Interest	20,293
Depreciation	57,693
Property Tax	8,361
Testing	<u>2,257</u>
TOTAL EXPENDITURES	<u>161,257</u>

EXCESS OF REVENUES OVER <UNDER> EXPENDITURES -22,663

RETAINED EARNINGS - April 1, 2003 633,039

RETAINED EARNINGS - March 31, 2004 \$ 610,376

See Accompanying Notes to Financial Statements.

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

CASH FLOW FROM OPERATIONS

Net Income <Loss>	\$ -22,663
Adjustments to Reconcile Net Income to Net Cash Provided	
Depreciation	57,693
Increase in accounts receivable	---
Increase in due from other funds	---

NET CASH PROVIDED BY OPERATIONS	<u>35,030</u>
--	---------------

NET CASH USED BY INVESTING ACTIVITIES

Fixed Asset Purchases	<u>-117,553</u>
-----------------------	-----------------

CASH FLOWS FROM FINANCING ACTIVITIES

New Bond Issue	---
Payment on Loans	---
Payment on Bonds	<u>-35,000</u>

NET CASH PROVIDED <USED> IN FINANCING ACTIVITIES	<u>-35,000</u>
---	----------------

NET INCREASE <DECREASE> IN CASH	-117,523
--	----------

CASH - Beginning of Year	<u>425,798</u>
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CASH - End of Year	<u><u>\$ 308,275</u></u>
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See Accompanying Notes to Financial Statements.

VILLAGE OF SUNFIELD

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF VILLAGE OPERATIONS

The Village was organized in 1904 and covers an area of one square mile. The Village operates under an elected council of nine members and provides services to its 591 residents in many areas including water and sewer service, police protection, and highway and street maintenance.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

BASIS OF PRESENTATION

The financial activities of the Village are recorded in separate funds and account groups, categorized and described as follows:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund. Revenues are derived primarily from property taxes and State distributions, grants and other intergovernmental revenues. The General Fund accounts for the general operating expenditures of the Village not recorded elsewhere.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

Enterprise Funds - Enterprise Funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

BASIS OF PRESENTATION

Account Groups

General Fixed Assets Account Group - This account group presents the fixed assets of the Village.

General Long-Term Debt Account Group - This account group presents the long-term debt of the Village to be financed with general appropriations.

BASIS OF ACCOUNTING

The accrual basis of accounting is used by the Enterprise Funds. All governmental funds utilize the modified accrual basis of accounting. Modifications in such methods from the accrual basis are as follows:

- a) Property taxes and other revenues that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received. Properties are assessed as of December 31. All taxes are levied July 1 and payable by August 31. At settlement date in late March, they are added to the county tax rolls.
- b) Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- c) Normally expenditures are not divided between years by the recording of prepaid expenses.

NOTE B - PROPERTY TAXES RECEIVABLE

The delinquent real property taxes of the Village are purchased by Eaton County. The County intends to sell tax notes, the proceeds of which will be used to pay the Village for these property taxes. It is anticipated that this will take place in June 2004. These taxes have been recorded as revenue for the current year. The Village is authorized to assess 15 mills for general operations. The actual millage rates levied for the 2003 tax year was 12.262 mills and the taxable value was \$9,545,100.

NOTE C - BUDGETS

PA 621 of 1978, Sect. 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for these budgetary funds are adopted at the activity level.

VILLAGE OF SUNFIELD

NOTES TO FINANCIAL STATEMENTS

NOTE C - BUDGETS (CONTINUED)

During the year ended March 31, 2004, the Village incurred expenditures in budgetary funds that were in excess of the amounts appropriated as follows:

<u>Fund Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Water Supply System	\$ 85,142	\$ 95,211	\$ -10,069

NOTE D - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

<u>Title</u>	<u>4-1-2003 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>3-31-2004 Balance</u>
Building and Equipment	\$ 149,160	\$ 11,832	\$ 16,920	\$ 144,072

A summary of proprietary fund type property, plant and equipment at March 31, 2004, follows:

	<u>Water Fund</u>	<u>Sewage Disposal Fund</u>	<u>Depreciable Life-Years</u>
Land	\$ 2,000	\$ 45,000	
Distribution System	118,667	---	40 Years
Water Tower	850,075	---	25 Years
Collection System	---	981,276	40 Years
Total Cost	970,742	1,026,276	
Less: Accumulated Depreciation	-145,253	-637,366	
Net Fixed Assets	\$ 825,489	\$ 388,910	

NOTE E - TOTAL COLUMN ON COMBINED STATEMENTS - OVERVIEW

The total column on the Combined Statements - Overview is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE F - BALANCE SHEET CASH AND INTEREST BEARING DEPOSITS AND INVESTMENTS

Deposits are carried at cost. Deposits of the Village are at four banks in the name of the Village. Act 217, PA 1982, authorizes the Village to deposit and invest in the accounts of Federally insured banks, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government of Federal agency obligation repurchase agreements, banker's acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment of local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Book Value</u>
Insured (FDIC)	\$ 329,618	\$ 329,618
Uninsured	357,003	355,573
Total Deposits	<u>\$ 686,621</u>	<u>\$ 685,191</u>

Differences between book value and the bank carrying amount are caused by deposits in transit and outstanding checks.

NOTE G - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Village maintains two Enterprise Funds providing water and sewer services. Segment information for the year ended March 31, 2004 is as follows:

	<u>Water</u>	<u>Sewer</u>
Operating Revenues	\$ 78,933	\$ 47,550
Operating Expenditures before Depreciation	58,241	45,323
Depreciation	36,970	20,723
Operating Income <Loss>	-16,278	-18,496
Net Earnings <Loss>	-14,376	-8,287
Total Assets	933,529	589,145
Long Term Debt - payable from operating revenue	845,000	---
Total Equity	88,529	589,145

VILLAGE OF SUNFIELD

NOTES TO FINANCIAL STATEMENTS

NOTE H - INTERFUND RECEIVABLES AND PAYABLES

At March 31, 2004, there were no interfund payables or receivables.

NOTE I - BONDS PAYABLE

On June 28, 2001, the Village sold \$880,000 of bonds for construction of a water tower, and upgrade its existing water distribution system. This was done through the Michigan Municipal Bond Authority. Interest accrues at 2.5%, and interest payments are due twice each year, on April 1 and October 1, until the bonds are fully repaid. Bond principal payments are due annually on April 1. Total amounts due are as follows:

Year Ended March 31,	April 1, Principal	April 1 Interest	October 1 Interest	Total Due
2005	\$ 35,000	\$ 10,562	\$ 10,125	\$ 55,687
2006	35,000	10,125	9,688	54,813
2007	35,000	9,687	9,250	53,937
2008	40,000	9,250	8,750	58,000
2009	40,000	8,750	8,250	57,000
2010	40,000	8,250	7,750	56,000
2011	40,000	7,750	7,250	55,000
2012	40,000	7,250	6,750	54,000
2013	45,000	6,750	6,188	57,938
2014	45,000	6,187	5,625	56,812
2015	45,000	5,625	5,063	55,688
2016	45,000	5,062	4,500	54,562
2017	45,000	4,500	3,938	53,438
2018	50,000	3,937	3,313	57,250
2019	50,000	3,312	2,688	56,000
2020	50,000	2,687	2,063	54,750
2021	55,000	2,062	1,375	58,437
2022	55,000	1,375	688	57,063
2023	55,000	687	---	55,687
	<u>\$ 845,000</u>	<u>\$ 113,808</u>	<u>\$ 103,254</u>	<u>\$ 1,062,062</u>

NOTE J - FUND DEFICITS

At March 31, 2004, there were no fund deficits.

NOTE K - ACCUMULATED SICK AND VACATION PAY

Amounts accumulated for accrued sick and vacation pay are immaterial and have not been entered in the accounting records.

NOTES TO FINANCIAL STATEMENTS

NOTE L - RETIREMENT PLAN

The Village does not participate in any retirement plan.

NOTE M - RISK MANAGEMENT AND LITIGATION

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Village has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At March 31, 2004, no claims exist, and no provision has been entered into the accounting records.

VILLAGE OF SUNFIELD

SUPPLEMENTAL INFORMATION

GENERAL FUND

VILLAGE OF SUNFIELD

BALANCE SHEET GENERAL FUND

MARCH 31, 2004

ASSETS

Cash	\$ 97,786
Taxes Receivable	<u>11,736</u>

TOTAL ASSETS	<u>\$ 109,522</u>
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LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$ 1,760
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Fund Balance	<u>107,762</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 109,522</u>
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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUES			
Property Taxes	\$ 111,406	\$ 117,041	\$ 5,635
State Shared Revenue	62,207	59,636	-2,571
Rentals	500	535	35
Liquor Commission	603	603	---
Interest	2,500	2,061	-439
Cable Company	2,350	2,351	1
Sidewalks	1,430	702	-728
Miscellaneous	3,137	5,344	2,207
Park Revenue	300	35	-265
TOTAL REVENUES	184,433	188,308	3,875
EXPENDITURES			
Council Salaries	2,500	2,835	-335
Council Training	1,000	---	1,000
Elected Officials	13,594	17,850	-4,256
Office Supplies	1,000	1,867	-867
Election Supplies	750	830	-80
Professional Fees	14,400	8,514	5,886
Telephone	1,000	1,015	-15
Printing and Publishing	2,000	1,863	137
Insurance	30,000	27,829	2,171
Postal Supplies	400	215	185
Salaries and Wages	18,875	7,173	11,702
Payroll Taxes	14,000	10,291	3,709
Donations	600	1,200	-600
Library Appropriation	3,500	3,500	---
Community Rooms	3,500	6,727	-3,227
Food Program Service	600	---	600
Village Hall	3,500	3,901	-401
Parks	9,500	9,656	-156
Dues and Memberships	650	649	1
Other	---	4,567	-4,567
Mileage	350	263	87
Police - Wages	16,700	17,058	-358
- Other	3,400	1,808	1,592
Fire Protection	18,069	18,069	---
Property Taxes	250	389	-139
Equipment Rental	4,000	3,107	893
Street Lights	11,000	10,897	103
Sidewalks	7,500	672	6,828
TOTAL EXPENDITURES	182,638	162,745	19,893
EXCESS OF REVENUES OVER EXPENDITURES	1,795	25,563	23,768
FUND BALANCE - April 1, 2003	82,199	82,199	---
FUND BALANCE - March 31, 2004	\$ 83,994	\$ 107,762	\$ 23,768

VILLAGE OF SUNFIELD

SPECIAL REVENUE FUNDS

**COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS**

MARCH 31, 2004

	Local Streets	Major Streets	Equipment	Total
ASSETS				
Cash	\$ 17,205	\$ 196,596	\$ 65,329	\$ 279,130
Due from State	---	---	---	---
TOTAL ASSETS	\$ 17,205	\$ 196,596	\$ 65,329	\$ 279,130
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ ---	\$ ---	\$ ---	\$ --
Fund Balance	17,205	196,596	65,329	279,130
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,205	\$ 196,596	\$ 65,329	\$ 279,130

VILLAGE OF SUNFIELD

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	Local Streets	Major Streets	Equipment	Total
REVENUES				
Taxes	\$ ---	\$ ---	\$ ---	\$ ---
Intergovernmental Revenues	11,975	33,795	---	45,770
Interest	140	3,140	532	3,812
Other	---	---	43,325	43,325
TOTAL REVENUES	12,115	36,935	43,857	92,907
EXPENDITURES				
Public Works	6,077	28,694	9,875	44,646
Capital Outlay	---	---	11,832	11,832
Debt Service	---	---	---	---
TOTAL EXPENDITURES	6,077	28,694	21,707	56,478
EXCESS OF REVENUES OVER EXPENDITURES	6,038	8,241	22,150	36,429
FUND BALANCE - April 1, 2003	11,167	188,355	43,179	242,701
FUND BALANCE - March 31, 2004	\$ 17,205	\$ 196,596	\$ 65,329	\$ 279,130

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LOCAL STREET FUND**

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUES			
State of Michigan	\$ 11,000	\$ 11,975	\$ 975
Interest	300	140	-160
Miscellaneous	---	---	---
TOTAL REVENUES	11,300	12,115	815
EXPENDITURES			
Street Surfacing	2,200	---	2,200
Labor	2,000	2,063	-63
Operating Supplies	2,500	440	2,060
Equipment Rental	3,500	3,537	-37
Tree Maintenance	500	---	500
Audit	---	---	---
Other	40	37	3
TOTAL EXPENDITURES	10,740	6,077	4,663
EXCESS OF REVENUES OVER EXPENDITURES	560	6,038	5,478
FUND BALANCE - April 1, 2003	11,167	11,167	---
FUND BALANCE - March 31, 2004	\$ 11,727	\$ 17,205	\$ 5,478

VILLAGE OF SUNFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MAJOR STREETS

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUES			
State of Michigan	\$ 32,000	\$ 33,795	\$ 1,795
Interest	5,500	3,140	-2,360
Other	---	---	---
TOTAL REVENUES	37,500	36,935	-565
EXPENDITURES			
Labor	6,000	5,954	46
Operating Supplies	13,000	10,941	2,059
Equipment Rental	9,000	9,549	-549
Trash Service	250	250	---
Tree Maintenance	2,000	2,000	---
Surface Maintenance	---	---	---
Other	---	---	---
TOTAL EXPENDITURES	30,250	28,694	1,556
EXCESS OF REVENUES OVER EXPENDITURES	7,250	8,241	991
FUND BALANCE - April 1, 2003	188,355	188,355	---
FUND BALANCE - March 31, 2004	\$ 195,605	\$ 196,596	\$ 991

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EQUIPMENT FUND**

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUES			
Interest	\$ 700	\$ 532	\$ -168
Equipment Rentals	32,000	31,449	-551
Miscellaneous	4,742	11,876	7,134
TOTAL REVENUES	37,442	43,857	6,415
EXPENDITURES			
Gas and Oil	4,000	2,505	1,495
Repairs and Maintenance	7,500	3,923	3,577
Other	40	37	3
Labor	5,000	3,410	1,590
Capital Outlay	13,000	11,832	1,168
Debt Service	---	---	---
TOTAL EXPENDITURES	29,540	21,707	7,833
EXCESS OF REVENUES OVER EXPENDITURES	7,902	22,150	14,248
FUND BALANCE - April 1, 2003	43,179	43,179	---
FUND BALANCE - March 31, 2004	\$ 51,081	\$ 65,329	\$ 14,248

VILLAGE OF SUNFIELD

ENTERPRISE FUNDS

VILLAGE OF SUNFIELD

COMBINING BALANCE SHEET ALL ENTERPRISE FUNDS

MARCH 31, 2004

	<u>Water Supply System Fund</u>	<u>Sewage Disposal System Fund</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 108,040	\$ 200,235	\$ 308,275
Accounts Receivable	---	---	---
Due From Other Funds	---	---	---
TOTAL CURRENT ASSETS	<u>108,040</u>	<u>200,235</u>	<u>308,275</u>
FIXED ASSETS			
Land	2,000	45,000	47,000
Distribution/Collection System	968,742	981,276	1,950,018
Less: Accumulated Depreciation	<u>-145,253</u>	<u>-637,366</u>	<u>-782,619</u>
NET FIXED ASSETS	<u>825,489</u>	<u>388,910</u>	<u>1,214,399</u>
TOTAL ASSETS	<u>\$ 933,529</u>	<u>\$ 589,145</u>	<u>\$ 1,522,674</u>
 LIABILITIES AND FUND EQUITY			
LONG TERM LIABILITIES			
Loans Payable	\$ ---	\$ ---	\$ ---
Bonds Payable	<u>845,000</u>	<u>---</u>	<u>845,000</u>
TOTAL LIABILITIES	<u>845,000</u>	<u>---</u>	<u>845,000</u>
FUND EQUITY			
Contributed Capital	---	67,298	67,298
Retained Earnings	<u>88,529</u>	<u>521,847</u>	<u>610,376</u>
TOTAL FUND EQUITY	<u>88,529</u>	<u>589,145</u>	<u>677,674</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 933,529</u>	<u>\$ 589,145</u>	<u>\$ 1,522,674</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
ALL ENTERPRISE FUNDS**

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	Water Supply System Fund	Sewage Disposal System Fund	Total
REVENUES			
Charges for Service	\$ 78,933	\$ 47,550	\$ 126,483
Interest	1,902	4,275	6,177
Miscellaneous	---	5,934	5,934
TOTAL REVENUES	80,835	57,759	138,594
EXPENDITURES			
Labor	8,609	13,844	22,453
Office Supplies	335	369	704
Postage	154	89	243
Operating Supplies	4,142	1,078	5,220
Equipment Rentals	4,730	10,525	15,255
Telephone	567	---	567
Utilities	3,579	1,510	5,089
Repairs and Maintenance	9,210	12,903	22,113
Other	1,009	---	1,009
Interest	20,293	---	20,293
Depreciation	36,970	20,723	57,693
Property Tax	4,296	4,065	8,361
Testing	1,317	940	2,257
TOTAL EXPENDITURES	95,211	66,046	161,257
EXCESS OF REVENUES OVER <UNDER> EXPENDITURES	-14,376	-8,287	-22,663
RETAINED EARNINGS - April 1, 2003	102,905	530,134	633,039
RETAINED EARNINGS - March 31, 2004	\$ 88,529	\$ 521,847	\$ 610,376

VILLAGE OF SUNFIELD

COMBINING STATEMENT OF CASH FLOWS ALL ENTERPRISE FUNDS

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	Water Supply System Fund	Sewage Disposal System Fund	Total
CASH FLOW FROM OPERATIONS			
Net Income <Loss>	\$ -14,376	\$ -8,287	\$ -22,663
Adjustments to Reconcile Net Income to Net Cash Provided			
Depreciation	36,970	20,723	57,693
Decrease in Accounts Receivable	---	---	---
Increase in Due from Other Funds	---	---	---
NET CASH PROVIDED BY OPERATIONS	<u>22,594</u>	<u>12,436</u>	<u>35,030</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed Asset Purchases	<u>---</u>	<u>-117,553</u>	<u>-117,553</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New Bond Issue	---	---	---
Payment on Loans	---	---	---
Payment on Bonds	<u>-35,000</u>	<u>---</u>	<u>-35,000</u>
NET CASH PROVIDED BY <USED IN> FINANCING ACTIVITIES	<u>-35,000</u>	<u>---</u>	<u>-35,000</u>
NET INCREASE <DECREASE> IN CASH	<u>-12,406</u>	<u>-105,117</u>	<u>-117,523</u>
CASH - Beginning of Year	<u>120,446</u>	<u>305,352</u>	<u>425,798</u>
CASH - End of Year	<u>\$ 108,040</u>	<u>\$ 200,235</u>	<u>\$ 308,275</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
WATER SUPPLY SYSTEM FUND**

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUES			
Charges for Service	\$ 78,900	\$ 78,933	\$ 33
Interest	2,000	1,902	-98
Miscellaneous	---	---	---
TOTAL REVENUES	80,900	80,835	-65
EXPENDITURES			
Labor	8,000	8,609	-609
Office Supplies	700	335	365
Postage	200	154	46
Operating Supplies	5,000	4,142	858
Telephone	570	567	3
Utilities	3,580	3,579	1
Equipment Rentals	5,000	4,730	270
Repairs and Maintenance	2,500	9,210	-6,710
Property Taxes	2,000	4,296	-2,296
Other	600	1,009	-409
Interest	55,292	20,293	34,999
Testing	1,700	1,317	383
Depreciation	---	36,970	-36,970
TOTAL EXPENDITURES	85,142	95,211	-10,069
EXCESS OF REVENUES OVER <UNDER> EXPENDITURES	-4,242	-14,376	-10,134
RETAINED EARNINGS - April 1, 2003	102,905	102,905	---
RETAINED EARNINGS - March 31, 2004	\$ 98,663	\$ 88,529	\$ -10,134

VILLAGE OF SUNFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL SEWAGE DISPOSAL SYSTEM FUND

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUES			
Charges for Service	\$ 51,285	\$ 47,550	\$ -3,735
Interest	5,000	4,275	-725
Land Rental	3,780	5,934	2,154
TOTAL REVENUES	60,065	57,759	-2,306
EXPENDITURES			
Labor	12,000	13,844	-1,844
Office Supplies	700	369	331
Postage	150	89	61
Operating Supplies	3,000	1,078	1,922
Sewer Testing	2,500	940	1,560
Utilities	1,600	1,510	90
Equipment Rental	11,500	10,525	975
Repairs and Maintenance	55,000	12,903	42,097
Other	---	---	---
Interest	---	---	---
Depreciation	---	20,723	-20,723
Property Tax	3,000	4,065	-1,065
TOTAL EXPENDITURES	89,450	66,046	23,404
EXCESS OF REVENUES OVER <UNDER> EXPENDITURES	-29,385	-8,287	21,098
RETAINED EARNINGS - April 1, 2003	530,134	530,134	---
RETAINED EARNINGS - March 31, 2004	\$ 500,749	\$ 521,847	\$ 21,098

GENERAL FIXED ASSETS GROUP OF ACCOUNTS

MARCH 31, 2004

	Balance 4-1-03	Additions	Deductions	Balance 3-31-04
GENERAL GOVERNMENT				
Community Building/Contents	\$ 28,500	\$ ---	\$ ---	\$ 28,500
Town Hall and Contents	32,500	---	---	32,500
Village Park Buildings	6,500	---	---	6,500
PUBLIC WORKS				
Building	13,000	---	---	13,000
Equipment	51,740	11,832	---	63,572
POLICE DEPARTMENT				
Vehicle and Equipment	16,920	---	16,920	---
TOTAL INVESTMENT IN FIXED ASSETS	\$ 149,160	\$ 11,832	\$ 16,920	\$ 144,072

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Village Council
Village of Sunfield

We have audited the general purpose financial statements of the Village of Sunfield as of and for the year ended March 31, 2004, and have issued our report thereon dated April 23, 2004. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Sunfield's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Sunfield's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal

control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village of Sunfield in a separate letter dated April 23, 2004.

This report is intended for the information of Village Council, management and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.



Karl L. Drake, P.C.
Certified Public Accountant

April 23, 2004

Karl L. Drake, P.C.
Certified Public Accountant

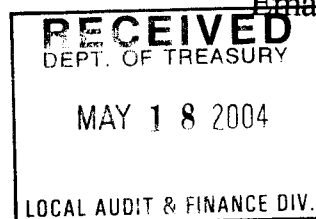
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April 23, 2004

To the Village Council
Village of Sunfield
Eaton County, Michigan



I have recently completed the audit of your books and records for the year ended March 31, 2004, and would like to take this opportunity to make the following comments and recommendations.

Financial Overview

All of your funds continue to be in very good financial condition. The fund balances at the end of this fiscal year were as follows:

General Fund	\$ 107,762
Major Streets Fund	196,596
Local Streets Fund	17,205
Equipment Fund	65,329
Water Fund	88,529
Sewer Fund	521,847

Fund balance increases or <decreases> were as follows for the fiscal year:

General Fund	\$ 25,563
Major Streets Fund	8,241
Local Streets Fund	6,038
Equipment Fund	22,150
Water Fund	<14,376>
Sewer Fund	<8,287>

The Village has enjoyed consistent fund balances in all funds for several years. Continued cuts by the State of Michigan in state revenue sharing will make it even more important to budget conservatively in the general fund.

The water and sewer funds have undergone dramatic changes with the water tower project and improvements to the sewage collection system. The increase in rates has allowed cash flow to be stable in these funds. Depreciation expense on these improvements will cause the funds to show a deficit for the next several years.

GASB 34

Beginning in fiscal years ending after June 15, 2004, the financial standards for governmental units will be changing. The change is proclamation 34 from the Governmental Accounting Standards Board. The most significant change in the new standards involves the valuation and depreciation of Village fixed assets, including infrastructure assets such as curbs, drains, bridges, etc. Also the reporting format will change considerably, showing government-wide reports lumping depreciated fixed assets and long-term debt. The Village has had an appraisal in preparation for these changes, and the record keeping requirements should be in order. I encourage Village officials to attend seminars, or obtain other information to study the implications of this accounting change in advance of its effective date, to make sure the Village remains in compliance.

Thank you for the opportunity to work with you.

Sincerely,

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, CPA